

COVINGTON TOWNSHIP
BARAGA COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Covington Township	County Baraga
Audit Date 6/30/04	Opinion Date 10/26/04	Date Accountant Report Submitted to State: August, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

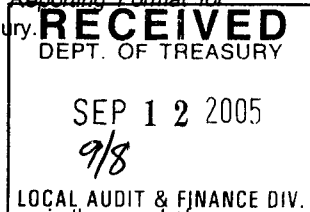
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Cowell & LaPointe, P.C.			
Street Address 101 S. Front St., Ste. 309	City Marquette	State MI	ZIP 49855
Accountant Signature <i>Gloria J. LaPointe</i>		Date 7/25/05	



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**Board of Trustees
Covington Township
Baraga County, Michigan**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of June 30, 2004 and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

INDEPENDENT AUDITOR'S REPORT – Continued

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2004, on our consideration of Covington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Covington Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Covington Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Cowell & LaPointe, PC
Certified Public Accountants
Marquette, Michigan

October 26, 2004

Board of Trustees
Covington Township
Baraga County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents and have issued our report thereon dated October 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Covington Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Covington Township in a separate letter dated October 26, 2004.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Covington Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Covington Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition follows:

- The limited staff of the Township does not permit adequate segregation of duties.

AUDITOR'S COMPLIANCE LETTER – Continued

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Covington Township, in a separate letter dated October 26, 2004.

This report is intended solely for the information of Covington Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Cawell & LaPointe, PC
Certified Public Accountants
Marquette, Michigan

October 26, 2004

COVINGTON TOWNSHIP

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash	\$ 344,601
Accounts receivable	9,851
Due from other governmental units	101
Prepaid expenditures	3,250
Capital assets - less accumulated depreciation of \$243,165	<u>596,711</u>
Total assets	<u>\$ 954,514</u>
Liabilities	
Accounts payable	\$ 10,852
Accrued payroll, withholdings and benefits	<u>1,844</u>
Total liabilities	12,696
Net Assets	
Investment in capital assets - net of related debt	596,711
Unrestricted	<u>345,107</u>
Total net assets	<u>941,818</u>
Total liabilities and net assets	<u>\$ 954,514</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenue				Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities:					
Legislative	\$ 5,113	\$	\$	\$	\$ (5,113)
General government	67,511	7,545			(59,966)
Public safety	13,976	1,500	881		(11,595)
Public works	48,901	30,618			(18,283)
Health and welfare	23,980	17,547	3,100		(3,333)
Culture and recreation	20,840			22,094	1,254
Community/economic development	106				(106)
Total Governmental Activities	\$180,427	\$ 57,210	\$ 3,981	\$ 22,094	(97,142)
General Revenues:					
Taxes:					
Property taxes					38,618
Commercial forest act					6,081
Swamp tax					33,003
Penalty, interest and fees on taxes					5,562
State-shared revenues					42,506
Cemetery lot sales					1,950
Interest and rentals					9,494
Other					776
Total general revenues					137,990
Change in Net Assets					40,848
Net Assets - July 1, 2003					900,970
Net Assets - June 30, 2004					\$ 941,818

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 254,404	\$ 90,197	\$ 344,601
Receivables:			
Accounts receivable	2,683	7,168	9,851
Due from tax collection fund	101		101
Prepaid expenditures		3,250	3,250
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 257,188</u>	<u>\$ 100,615</u>	<u>\$ 357,803</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 6,241	\$ 4,611	\$ 10,852
Accrued payroll, withholdings and benefits	1,844		1,844
	<hr/>	<hr/>	<hr/>
Total liabilities	8,085	4,611	12,696
Fund Balances			
Reserved:			
Prepaid expenditures		3,250	3,250
Unreserved:			
General fund	249,103		249,103
Recreation fund		5,576	5,576
Ambulance and fire fund		80,959	80,959
Liquor law enforcement fund		6,219	6,219
	<hr/>	<hr/>	<hr/>
Total fund balances	249,103	96,004	345,107
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 257,188</u>	<u>\$ 100,615</u>	<u>\$ 357,803</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

Total Governmental Fund Balances		\$	345,107
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is	\$	839,876	
Accumulated depreciation is		<u>(243,165)</u>	<u>596,711</u>
Net assets of governmental activities		\$	<u>941,818</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenues			
Taxes	\$ 53,681	\$ 29,583	\$ 83,264
Licenses and permits	7,545		7,545
State grants	50,806	881	51,687
Contributions from local units	13,794		13,794
Charges for services	30,618	19,047	49,665
Contributions and grants		3,100	3,100
Interest and rentals	8,062	1,432	9,494
Cemetery lot sales	1,950		1,950
Other	210	566	776
	<hr/>	<hr/>	<hr/>
Total revenues	166,666	54,609	221,275
Expenditures			
Current			
Legislative	5,113		5,113
General government	43,841		43,841
Public safety	2,220	10,325	12,545
Public works	48,873		48,873
Health and welfare		14,355	14,355
Culture and recreation		18,621	18,621
Community and economic development	98		98
Other	9,642		9,642
Capital outlay	24,677		24,677
	<hr/>	<hr/>	<hr/>
Total expenditures	134,464	43,301	177,765
Net Change in Fund Balances	32,202	11,308	43,510
Fund Balances - July 1, 2003	216,901	84,696	301,597
	<hr/>	<hr/>	<hr/>
Fund Balances - June 30, 2004	<u>\$249,103</u>	<u>\$ 96,004</u>	<u>\$345,107</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ 43,510
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ 27,339		
Capital outlay	(24,677)		
	<u>2,662</u>		<u>2,662</u>

Change in Net Assets of Governmental Activities	\$ <u>40,848</u>
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See accompanying notes to financial statements.

COVINGTON TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004

	<u>Agency Fund Type- Property Tax Collection Fund</u>
Assets	
Cash	\$ 101
Liabilities	
Due to general fund	<u> 101</u>
Net Assets	<u><u> \$</u></u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Covington Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

In 2004, Covington Township implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Reporting Entity

Covington Township is governed by an elected five-member Board of Trustees and provides services for about 650 residents, which includes fire and ambulance protection and garbage collection. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued **JUNE 30, 2004**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government - wide financial statements are

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Government-Wide Statements – Continued

reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Covington Township reports one major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. They are used to segregate the transaction of particular activities from regular revenue and expenditure accounts.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled interest income from the Ambulance and Fire Fund, Recreation Fund, and Liquor Law Enforcement Fund is allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township's real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Baraga County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	20-50 years
Furniture and other equipment	5-20 years
Vehicles	10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1st. A public hearing is then conducted to obtain taxpayer comments. Prior to July 1st, the budget is legally enacted by resolution.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Information – Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The Township did not amend budgeted amounts during the year. The budgets are presented in the other supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Covington Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Legislative	\$ 4,985	\$ 5,113	\$ 128
-Clerk	5,250	5,459	209
-Board of review	900	1,005	105
-Treasurer	5,995	8,025	2,030
-Capital outlay	14,739	24,677	9,938
Recreation Fund	11,395	18,621	7,226
Liquor Law Enforcement Fund	900	1,261	361

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes Covington Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE C - DEPOSITS AND INVESTMENTS - Continued

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the tax collection which had its own checking account. The interest in the common bank account was allocated to the General Fund. In addition there was a certificate of deposit and savings account for the General Fund.

The investment policy adopted by the board in accordance with Act 20 PA 1943 is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	\$344,601
Fiduciary funds	<u>101</u>
Total	<u>\$344,702</u>

All of the funds are invested in checking, savings, and certificate of deposit accounts.

The deposits of Covington Township were reflected in the accounts of bank and credit union deposits at \$337,305, of which \$200,000 was covered by federal depository insurance and \$137,305 was uninsured and uncollateralized.

COVINGTON TOWNSHIP**NOTES TO FINANCIAL STATEMENTS – Continued**
JUNE 30, 2004**NOTE D – CAPITAL ASSETS**

Capital asset activity of the Township's Governmental activities was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
Capital assets not Being depreciated				
Land	<u>\$ 10,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 10,000</u>
Capital assets being depreciated				
Buildings	634,044	23,292		657,336
Office equipment		1,385		1,385
Equipment	86,015			86,015
Vehicles	<u>85,140</u>	<u></u>	<u></u>	<u>85,140</u>
Subtotal	805,199	24,677		829,876
Accumulated depreciation				
Building	170,658	13,469		184,127
Office equipment		231		231
Equipment	36,654	5,125		41,779
Vehicles	<u>8,514</u>	<u>8,514</u>	<u></u>	<u>17,028</u>
Subtotal	<u>215,826</u>	<u>27,339</u>	<u></u>	<u>243,165</u>
Net capital assets being depreciated	<u>589,373</u>	<u><2,662></u>	<u></u>	<u>586,711</u>
Governmental activities - total capital assets - net of depreciation	<u>\$599,373</u>	<u>\$<2,662></u>	<u>\$</u>	<u>\$596,711</u>

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2004

NOTE D – CAPITAL ASSETS – Continued

Depreciation expense was charged to activities of the Township as follows:

Governmental activities:	
General government	\$15,521
Public safety	798
Culture and recreation	2,101
Health and welfare	<u>8,919</u>
Total governmental activities	<u>\$27,339</u>

NOTE E – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

NOTE F – DEFINED CONTRIBUTION PLAN

Plan Description – The Township has a defined contribution retirement plan administered by Municipal Retirement Systems, Inc., which covers substantially all employees except appointed boards, commissions, and part-time or seasonal employees.

Funding Policy - The plan, which qualifies under Internal Revenue Code Section 401 (a), is funded by contributions from the employer and employee, who each contribute five percent of an employee's annual compensation. Employees are vested 100% upon entering the plan and must be 18 years old.

Contributions by the employer and employee were ten percent of covered payroll for the year ending June 30, 2004. This reflects contributions of \$2,129 for the calendar year 2003 based on total payroll of \$37,468 and covered payroll of \$21,289.

COVINGTON TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues:			
Taxes	\$ 49,775	\$ 53,681	\$ 3,906
Licenses and permits	2,500	7,545	5,045
State grants	52,895	50,806	(2,089)
Contributions from local units		13,794	
Charges for services	28,200	30,618	2,418
Interest and rentals	1,500	8,062	6,562
Cemetery lot sales	2,600	1,950	(650)
Other revenue	2,700	210	(2,490)
Total revenues	140,170	166,666	26,496
Expenditures:			
Legislative	4,985	5,113	128
General Government:			
Supervisor	5,614	5,064	(550)
Clerk	5,250	5,459	209
External auditor	2,500	2,330	(170)
Board of review	900	1,005	105
Treasurer	5,995	8,025	2,030
Assessor/equalization	7,200	3,159	(4,041)
Elections	2,200	108	(2,092)
Township hall and other property	16,200	15,023	(1,177)
Legal	250		(250)
Cemetery	5,211	3,668	(1,543)
Public Safety:			
Inspections	3,300	2,220	(1,080)
Public Works:			
Highways, streets and lighting	16,800	16,200	(600)
Sanitation	35,550	32,673	(2,877)
Community and Economic Development:			
Zoning	200	98	(102)
Capital Outlay	14,739	24,677	9,938
Other	12,545	9,642	(2,903)
Total expenditures	139,439	134,464	(4,975)
Net Change in Fund Balance	731	32,202	31,471
Fund Balance - July 1, 2003	216,901	216,901	
Fund Balance - June 30, 2004	<u>\$ 217,632</u>	<u>\$ 249,103</u>	<u>\$ 31,471</u>

COVINGTON TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2004

	<u>Ambulance and Fire Fund</u>	<u>Recreation Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Total Nonmajor Funds</u>
Assets				
Cash	\$ 75,238	\$ 8,740	\$ 6,219	\$ 90,197
Accounts receivable	7,168			7,168
Prepaid expenditures		3,250		3,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 82,406</u>	<u>\$ 11,990</u>	<u>\$ 6,219</u>	<u>\$ 100,615</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,447	\$ 3,164	\$	\$ 4,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,447	3,164		4,611
Fund Balances	<u>80,959</u>	<u>8,826</u>	<u>6,219</u>	<u>96,004</u>
Total liabilities and fund balances	<u>\$ 82,406</u>	<u>\$ 11,990</u>	<u>\$ 6,219</u>	<u>\$ 100,615</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004**

	Ambulance and Fire Fund	Recreation Fund	Liquor Law Enforcement Fund	Total Nonmajor Funds
Revenues				
Current tax collections	\$ 12,514	\$ 13,043	\$	\$ 25,557
Commercial forest reserve	1,971	2,055		4,026
State grants			881	881
Charges for services	19,047			19,047
Contributions	3,100			3,100
Rent and reimbursements		1,432		1,432
Other		566		566
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	36,632	17,096	881	54,609
Expenditures				
Public safety	9,064		1,261	10,325
Health and welfare	14,355			14,355
Culture and recreation		18,621		18,621
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	23,419	18,621	1,261	43,301
Net Change in Fund Balances	13,213	(1,525)	(380)	11,308
Fund Balances - July 1, 2003	67,746	10,351	6,599	84,696
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - June 30, 2004	\$ 80,959	\$ 8,826	\$ 6,219	\$ 96,004
	<hr/>	<hr/>	<hr/>	<hr/>

COVINGTON TOWNSHIP SCHOOL DISTRICT
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>Over (Under) Budget</u>	<u>2003 Actual</u>
Revenues				
Taxes:				
Current tax levy	\$ 13,250	\$ 13,061	\$ (189)	\$ 12,709
Penalties, interest and fees on taxes	5,225	5,562	337	5,263
Swamp tax	30,400	33,003	2,603	31,354
Commercial forest reserve	900	2,055	1,155	1,709
Licenses and permits	2,500	7,545	5,045	2,425
State grants:				
State revenue sharing	44,595	42,506	(2,089)	44,748
Pavilion project	8,300	8,300		42,700
Contributions from local units-recreation		13,794	13,794	38,800
Charges for services	28,200	30,618	2,418	30,861
Interest and rentals	1,500	8,062	6,562	9,547
Cemetery lot sales	2,600	1,950	(650)	2,650
Other revenue	<u>2,700</u>	<u>210</u>	<u>(2,490)</u>	
Total revenues	<u><u>\$ 140,170</u></u>	<u><u>\$166,666</u></u>	<u><u>\$ 26,496</u></u>	<u><u>\$ 222,766</u></u>

COVINGTON TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>Over (Under) Budget</u>	<u>2003 Actual</u>
Legislative				
Salaries	\$ 3,450	\$3,299	\$ (151)	\$ 3,395
Other	<u>1,535</u>	<u>1,814</u>	<u>279</u>	<u>1,891</u>
Total legislative	<u>4,985</u>	<u>5,113</u>	<u>128</u>	<u>5,286</u>
General Government				
Executive - supervisor:				
Salaries	5,064	5,064		5,064
Other	<u>550</u>		<u>(550)</u>	
Total executive	<u>5,614</u>	<u>5,064</u>	<u>(550)</u>	<u>5,064</u>
Clerk:				
Salaries	4,950	5,155	205	4,949
Other	<u>300</u>	<u>304</u>	<u>4</u>	<u>262</u>
Total clerk	<u>5,250</u>	<u>5,459</u>	<u>209</u>	<u>5,211</u>
External audit:				
Other	<u>2,500</u>	<u>2,330</u>	<u>(170)</u>	<u>2,230</u>
Board of review:				
Salaries	500	\$ 945	445	573
Other	<u>400</u>	<u>60</u>	<u>(340)</u>	
Total board of review	<u>900</u>	<u>1,005</u>	<u>105</u>	<u>573</u>
Treasurer				
Salaries	4,950	4,949	(1)	4,949
Other	<u>1,045</u>	<u>3,076</u>	<u>2,031</u>	<u>3,383</u>
Total treasurer	<u>5,995</u>	<u>8,025</u>	<u>2,030</u>	<u>8,332</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>Over (Under) Budget</u>	<u>2003 Actual</u>
General Government (Continued)				
Assessor/equalization:				
Salaries	\$ 3,000	\$ 2,280	\$ (720)	\$ 2,819
Other	<u>4,200</u>	<u>879</u>	<u>(3,321)</u>	<u>1,153</u>
Total assessor/equalization	<u>7,200</u>	<u>3,159</u>	<u>(4,041)</u>	<u>3,972</u>
Elections:				
Salaries	615	83	(532)	615
Other	<u>1,585</u>	<u>25</u>	<u>(1,560)</u>	<u>1,608</u>
Total elections	<u>2,200</u>	<u>108</u>	<u>(2,092)</u>	<u>2,223</u>
Township hall and other property:				
Salaries	2,000	2,843	843	2,161
Other	<u>14,200</u>	<u>12,180</u>	<u>(2,020)</u>	<u>13,122</u>
Total township hall and other property	<u>16,200</u>	<u>15,023</u>	<u>(1,177)</u>	<u>15,283</u>
Legal:				
Other	<u>250</u>		<u>(250)</u>	<u>250</u>
Cemetery:				
Salaries	2,500	1,881	(619)	2,349
Other	<u>2,711</u>	<u>1,787</u>	<u>(924)</u>	<u>2,473</u>
Total cemetery	<u>5,211</u>	<u>3,668</u>	<u>(1,543)</u>	<u>4,822</u>
Total general government	<u>51,320</u>	<u>43,841</u>	<u>(7,479)</u>	<u>47,960</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>Over (Under) Budget</u>	<u>2003 Actual</u>
Public Safety				
Building and electrical inspections:				
Salaries	\$ 1,800	\$ 1,608	\$ (192)	\$ 2,135
Other	<u>1,500</u>	<u>612</u>	<u>(888)</u>	<u>704</u>
Total public safety	<u>3,300</u>	<u>2,220</u>	<u>(1,080)</u>	<u>2,839</u>
Public Works				
Highways, streets, lighting:				
Other	<u>16,800</u>	<u>16,200</u>	<u>(600)</u>	<u>16,136</u>
Sanitation:				
Salaries	600	551	(49)	649
Other	<u>34,950</u>	<u>32,122</u>	<u>(2,828)</u>	<u>32,026</u>
Total sanitation	<u>35,550</u>	<u>32,673</u>	<u>(2,877)</u>	<u>32,675</u>
Total public works	<u>52,350</u>	<u>48,873</u>	<u>(3,477)</u>	<u>48,811</u>
Community and Economic Development				
Zoning:				
Salaries	<u>200</u>	<u>98</u>	<u>(102)</u>	<u>165</u>
Capital Outlay				
General government	<u>14,739</u>	<u>24,677</u>	<u>9,938</u>	<u>114,275</u>
Other				
Insurance	8,500	7,538	(962)	7,478
FICA, Retirement	4,025	2,083	(1,942)	2,912
Other	<u>20</u>	<u>21</u>	<u>1</u>	<u>24</u>
Total other	<u>12,545</u>	<u>9,642</u>	<u>(2,903)</u>	<u>10,414</u>
Total expenditures	<u><u>\$139,439</u></u>	<u><u>\$ 134,464</u></u>	<u><u>\$ (4,975)</u></u>	<u><u>\$ 229,750</u></u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS-AMBULANCE AND FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

		<u>Ambulance and Fire Fund</u>		
		<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Taxes-Current tax collections		\$ 12,690	\$ 12,514	\$ (176)
-Commercial forest reserve		900	1,971	1,071
Charges for services		26,500	19,047	(7,453)
Contributions		<u>3,000</u>	<u>3,100</u>	<u>100</u>
Total revenues		43,090	36,632	(6,458)
Expenditures				
Ambulance				
Salaries and wages		5,220	4,291	(929)
Training and renewals		2,850	1,963	(887)
Office supplies		40	95	55
Telephone		1,100	1,004	(96)
Pagers		200	375	175
Mileage		400	462	62
Insurance		3,200	3,360	160
Utilities		1,400	1,443	43
Repairs & maintenance-vehicle		200	111	(89)
-building		1,050	352	(698)
Supplies		2,500	899	(1,601)
Fire				
Salaries and wages		4,000	1,584	(2,416)
Supplies		1,100	486	(614)
Telephone		920	726	(194)
Pagers		600	139	(461)
Mileage		650	382	(268)
Insurance		3,000	3,360	360
Utilities		1,400	1,443	43
Repairs & maintenance-vehicle		1,550	306	(1,244)
-building		1,050	352	(698)
Training		250	286	36
Capital outlay		<u>26,500</u>		<u>(26,500)</u>
Total expenditures		<u>59,180</u>	<u>23,419</u>	<u>35,761</u>
Net Change in Fund Balances		(16,090)	13,213	29,303
Fund Balances - July 1, 2003		<u>\$ 67,746</u>	<u>67,746</u>	
Fund Balances - June 30, 2004		<u>\$ 51,656</u>	<u>\$ 80,959</u>	<u>\$ 29,303</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS-RECREATION AND LIQUOR LAW ENFORCEMENT FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

	Recreation Fund			Liquor Law Enforcement Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Taxes-Current tax collections	\$ 13,250	\$ 13,043	\$ (207)	\$	\$	\$
-Commercial forest reserve	900	2,055	1,155			
State grants				925	881	(44)
Rent and reimbursements	800	1,432	632			
Other	300	566	266			
Total revenues	15,250	17,096	(1,846)	925	881	(44)
Expenditures						
Recreation						
Salaries and wages	2,645	3,321	676			
Contract mowing	900	1,130	230			
July 4th music festival	500	2,400	1,900			
July 4th	2,500	4,116	1,616			
Miscellaneous	500	1,490	990			
Utilities	700	1,091	391			
Repairs & maintenance-equipment	2,000	111	(1,889)			
-building	150	1,512	1,362			
Supplies		3,450	3,450			
Capital outlay	1,500		(1,500)			
Liquor law enforcement						
Salaries and wages				900	1,261	361
Total expenditures	11,395	18,621	7,226	900	1,261	361
Net Change in Fund Balances	3,855	(1,525)	(5,380)	25	(380)	(405)
Fund Balances - July 1, 2003	10,351	10,351		6,599	6,599	
Fund Balances - June 30, 2004	\$ 14,206	\$ 8,826	\$ (5,380)	\$ 6,624	\$ 6,219	\$ (405)

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
ALL AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Tax Collection Fund

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
Assets				
Cash	<u>\$</u>	<u>\$ 287,147</u>	<u>\$ 287,046</u>	<u>\$ 101</u>
Liabilities				
Interfund payables	\$	\$ 41,680	\$ 41,579	\$ 101
Due to other governmental units		245,399	245,399	
Refunds		<u>68</u>	<u>68</u>	
Total liabilities	<u>\$</u>	<u>\$ 287,147</u>	<u>\$ 287,046</u>	<u>\$ 101</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
PROPERTY TAX DATA
FOR THE YEAR ENDED JUNE 30, 2004**

2003 Taxable Valuation--\$13,212,625

2003 Tax Levy	<u>Mills</u>	<u>Collections</u>
General	0.9888	\$ 13,061
Recreation	0.9888	13,043
Ambulance/Fire	<u>0.9480</u>	<u>12,514</u>
Total	<u><u>2.9256</u></u>	<u><u>\$ 38,618</u></u>